

GOVERNMENT OF THE DISTRICT OF COLUMBIA
Office of the Chief Financial Officer

Natwar M. Gandhi
Chief Financial Officer



MEMORANDUM

TO: The Honorable Linda W. Cropp
Chairman, Council of the District of Columbia

FROM: Natwar M. Gandhi [signature]
Chief Financial Officer

DATE: April 27, 2004

SUBJECT: Fiscal Impact Statement: "Establishment of Alternative Fuel
Distribution Fund Act of 2004"

REFERENCE: Draft – No bill number

Conclusion

Funds are sufficient in the FY 2004 budget and the proposed FY 2005 through FY 2008 budget and financial plan to implement the "Establishment of Alternative Fuel Distribution Fund Act of 2004." Because fees charged by the Department of Public Works (DPW) will offset the costs of implementation, the proposed legislation has a negligible fiscal impact.

Background

DPW's Fleet Management Division (FMA) is charged with operating the District's fleet of vehicles and ensuring that there is fuel for the vehicles. Through a proposed agreement with the Maryland Grain Producers Utilization Board, DPW plans to establish a pilot project to encourage the use of E-85, an ethanol-based fuel, in vehicles used by the federal government, the District and neighboring jurisdictions. Under the agreement, the District would sell E-85 to government and commercial fleets, using equipment provided by the Maryland Grain Producers Utilization Board. However, whereas FMA has authority to collect and expend funds from other District agencies for the use of alternative fuel, FMA does not have the authority to collect and expend funds for federal, state and commercial fleets.

The proposed legislation grants FMA this authority by setting up a dedicated Alternative Fuel Distribution Fund into which all fees, donations, gifts and grants would be deposited and from which funds would be expended for provision of alternative fuel to District, federal, state and commercial fleets. The proposed legislation also authorizes the Mayor to set the fees for the distribution of alternative fuel.

It is the policy of the District government to discourage the allocation of dedicated revenue funds directly to agencies as proprietary receipts to operate programs, except in very limited cases where program funding cannot be properly accommodated through the annual budget process. DPW has asserted that a dedicated fund is necessary in order to account for the acquisition and distribution of alternative fuel and to ensure that funds obtained by the District through its participation in the alternative fuel program are used for the program, as is contemplated in the agreement with the Maryland Grain Producers Utilization Board.

Financial Plan Impact

As discussed above, the Maryland Grain Producers Utilization Board would provide the necessary equipment for the distribution of the E85 alternative fuel. In order to distribute the alternative fuel, FMA would incur expenses for purchasing fuel, maintenance, supplies and transaction costs. Based on a unit cost of \$1.38 per gallon, FMA projects it could charge a price of \$1.57 per gallon. Revenue collected from projected sales would be sufficient to offset the costs of distributing the alternative fuel.

The following table details the projected revenues and expenses for the proposed Alternative Fuel Distribution Fund:

Financial Plan Impact						
	FY 2004	FY 2005	FY 2006	FY 2007	FY 2008	Total
Revenue	\$8,635	\$23,550	\$32,000	\$40,000	\$48,000	\$152,185
Expenses						
Fuel	(\$7,590)	(\$20,700)	(\$27,600)	(\$34,500)	(\$41,400)	(\$131,790)
Maintenance	(\$500)	(\$1,400)	(\$2,250)	(\$2,800)	(\$3,450)	(\$10,400)
Supplies	(\$224)	(\$600)	(\$870)	(\$1,200)	(\$1,400)	(\$4,294)
Voyager Card (transaction service fee)	(\$311)	(\$848)	(\$1,152)	(\$1,440)	(\$1,728)	(\$5,479)
Total Expenses	(\$8,625)	(\$23,548)	(\$31,872)	(\$39,940)	(\$47,978)	(\$151,963)
NET FISCAL IMPACT	\$10	\$2	\$128	\$60	\$22	\$222